Financial Plan Refresh
Public Comment Summary from grounding workshop
October 19, 2021

Row #	Stakeholder	Comment	BPA Response
1	NIPPC	Please record the workshops and make the recordings available to stakeholders. The functionality is available within WebEx. Having access to recordings after the meetings offers stakeholders valuable flexibility in participating in this process.	BPA has discussed this but is not going to record the FPR workshops. We do not currently record most of our public meetings. We want the FPR workshops to include an open exchange between BPA and its stakeholders. We want all parties to comfortably share information or views that may reflect preliminary thinking. Recording the meetings could have a chilling effect on our discussions. BPA does not believe the potential benefit in terms of convenience outweighs the dampening effect it could have on our important and in-depth discussions.
2	NIPPC	BPA consistently describes Transmission Services as a "Net Borrower," but BPA has only shared data related to debt incurred from 2010 to 2020 (with a forecast for the time period from 2021 to 2040). Please provide additional years of historical data related to debt levels. It would be helpful if BPA would provide additional data on historical debt levels and extend the graphs in Slides 9-12, and 14-16 back to 1937 – or the earliest years for which data is available.	The following data are readily available: • Outstanding long-term liabilities by business unit is available on bpa.gov, files back to 1997. • For an explanation of federal appropriations, see BPA's FY20 and FY21 audited financial statements, Note 8.
3	NIPPC	BPA sets its capital spending program every two years in the Integrated Program Review process. Please explain how BPA has calculated the debt levels used in the forecast for the period 2021 to 2043. • Is the debt forecast limited to capital spending to maintain or replace the existing grid? • Does the forecast contemplate	The forecasted debt issuance aligns to the capital investment plans outlined in Strategic Asset Management Plans (10 year plan). For years 11 and beyond we apply an inflation assumption. The details of SAMP for the upcoming two years (what capital investments are planned, whether sustain vs. expand, and other details) are covered in the IPR process. While there may be limited discussion on such

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		expansion of the grid to meet state public policy goals related to clean energy?	issues as part of the capital workshops in the January – March timeframe, we do not intend to address them in detail in the FPR process.
4	NIPPC	On Slide 12 of the October 19 presentation, Power's "Debt" includes Federal Appropriations. Are these appropriations debt? Please explain the purpose of these appropriations, and if they are debt, please provide details regarding the repayment obligation.	Appropriations are subject to the same repayment period conditions as bonds, e.g. maximum of 50 years but may be shorter if the underlying asset category has a shorter life. Interest rates are assigned based on the provisions of the Bonneville Refinancing Act of 1995. Transmission no longer has appropriations.
5	NIPPC	On Slide 15 of the October 19 presentation, BPA indicates that without the Infrastructure Bill, no additional Borrowing Authority is anticipated. Other than revenue financing, what alternative sources of capital is BPA pursuing for funding Power and Transmission Assets?	BPA is continuing to assess projects eligible for lease purchase funding. The 1974 Transmission Act gives BPA the ability to lease-purchase transmission-related capital projects. Within this process, our focus is on setting up sustainable capital funding approaches first, then determining what funding gap is left to address.
6	NIPPC	On Slide 18, the statement is made that "Moody's uses a variation of the Debt to Asset ratio with a focus on industry medians." Please compare and contrast BPA's calculation with Moody's calculation.	Variations in how an entity calculates "debt to asset ratio" appear to be common. BPA's calculation can be found in rate case revenue requirement documentation (Power in Table 3I; Transmission in Table 3-8). Some key distinctions between BPA's and Moody's calculations are that (1) Moody's includes a calculation of working capital on the asset side, which BPA does not do, (2) Moody's includes net pension liabilities as debt which BPA does not do, and (3) BPA includes deferred borrowing on the debt side, which Moody's does not.
7	NIPPC	BPA cited to credit agency rating reports on slides 17 to 19. Please provide additional information related to BPA's understanding of those	Understanding and applying industry practices, as appropriate, aligns with our statutory authorities, which speak to lowest possible rates consistent with

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		reports: 1. Of the public power entities BPA compares itself to, how do they compare to BPA in terms of gross revenue by business line, relative size of owned transmission assets, and federal financial backing? Is BPA an outlier in any of those regards? 2. Has BPA evaluated how its leverage practices compare to other large power marketers and transmission operators within the US and internationally who are not local consumer-owned utilities? 3. Why should BPA customers have confidence that the comparable entities are, in fact, comparable?	sound business principles. The slides cited include quotes and data from ratings agencies that included BPA within various categories of comparable entities. BPA was included in these categories because it met the same criteria as the other included entities. The information provided at the Oct 19th meeting shows that, across multiple categories, BPA's current capital financing practices make it an outlier.
8	NIPPC	On Slide 20, several of the bullets are in quotation marks. What is the source of these quotes?	The quoted statements were direct citations from three Pacific Northwest utilities from publicly available work products: one was from a white paper on capital and two were from utility-issued official statements. Similar statements can also be found in official statements, strategic and financial plans, cost of service analysis/studies, and budget documents from other PNW utilities.
9	NIPPC	On Slides 21 and 22, BPA asserts conclusions for industry practice. What is the basis for these conclusions? Does BPA consider the utilities that employ these capital financing practices to be comparable to BPA? If so, please explain why they are comparable to BPA.	The descriptions of utility practice were informed by utility cost of service studies, other publically available documents produced by regional utilities, and utility training offered by trade associations (e.g. APPA).
10	NIPPC	On Slide 26, BPA indicates that the repayment period is 35 years for transmission and 50 years for power. Please explain why the repayment periods are different. Also, how is the	Fifty years is the maximum allowable period. It can be shorter if the assets in the category have a shorter service life. Transmission repayment periods have fluctuated over time, generally

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		repayment period shortened or lengthened when the term of debt used to pay for transmission and power assets is less than the stated repayment period or longer than the stated repayment period?	between 40 and 45 years, as the estimated average life of assets changed. BPA started using 35 years for transmission about two decades ago because it resulted in lower debt service costs over time. See the BP-22 Revenue Requirement Study for each business unit, section 1.2.2.2 within both documents, for a longer discussion on this topic.
11	PPC	PPC would like to express particular appreciation for the inclusion of asset management metrics in this process. Exploration of additional program and budget execution metrics (beyond capital) within BPA's overall program cost goals would be a valuable addition to the process – PPC anticipates preference customer proposals in this area, which we see as consistent with the scope proposed by BPA.	We received comments supporting the scope of the FPR, importance of grounding sessions, and importance of continued focus on cost management and value delivery. Thank you for these comments; BPA believes we are aligned.
12	PPC	Although not explicitly within the scope of the Financial Plan Refresh, we stress that affordability, cost management, and delivery of customer value must continue to be fundamental goals.	See #11
13	PPC	Overall, the scope and timeline of the process appears reasonable. Common "grounding" in key data and trends will enable more productive discussion among customers.	See #11
14	NRU	When discussing debt to asset ratio during the workshop, BPA staff commented that "lower is always better". NRU would like to point out that this isn't always true and implies that zero debt is the best possible financial scenario for BPA. NRU encourages the use of phraseology like "a debt to asset ratio that is too high is unhealthy".	It was not our intention to imply that a lower ratio is always better or that zero debt outstanding is the best scenario for BPA. We agree that a debt to asset ratio that is too high is unhealthy.